SENATE BILL NO. 27

INTRODUCED BY R. LAIBLE

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR BUDGET STABILITY BY CREATING A BUDGET STABILIZATION ACCOUNT AND AN EMERGENCY ACCOUNT; PROVIDING FOR A REQUIRED ENDING GENERAL FUND BALANCE; PROVIDING THAT AN ENDING GENERAL FUND BALANCE IN EXCESS OF THE STATUTORY AMOUNT IS TRANSFERRED TO THE BUDGET STABILIZATION ACCOUNT AND THE EMERGENCY ACCOUNT; PROVIDING LIMITS ON THE AMOUNT THAT CAN BE MAINTAINED IN THE BUDGET STABILIZATION ACCOUNT AND THE EMERGENCY ACCOUNT; PROVIDING FOR THE USE OF THE ACCOUNTS; PROVIDING FOR A REDUCTION IN INDIVIDUAL INCOME TAXES FOR EXCESS ENDING GENERAL FUND BALANCE; AMENDING SECTIONS 10-3-101, 10-3-312, 15-30-103, 17-7-131, AND 17-7-140, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Budget stabilization account -- funding -- use.** (1) There is a budget stabilization account within the state special revenue fund. Subject to subsection (2), there is transferred from the state general fund to the budget stabilization account 75% of the amount by which the audited ending general fund balance exceeds the amount specified in 17-7-131(2).

(2) (a) The balance in the budget stabilization account may not exceed 6% of the general fund appropriations for the current biennium as contained in the general appropriations act. Money in the account must be invested as provided by law. Interest and income from the investment of the account must be credited to the account.

(b) Once the balance in the account equals 6% of the general fund appropriations for the current biennium:

(i) the transfer authorized in subsection (1) may not be made and the interest and income from the investment of the account must be credited to the state general fund; and

(ii) the amount by which the ending general fund balance exceeds the amount specified in 17-7-131(2) must be used to reduce income taxes as provided in 15-30-103(2)(b).

(3) The governor may transfer money from the budget stabilization account to the state general fund

in order to avoid or offset the amount of a reduction in spending pursuant to 17-7-140. The money in the account may not be used for any other purpose. The governor may not transfer more than 80% of the balance in the account to the state general fund during a biennium and may not transfer more than one-half of that amount in any fiscal year.

NEW SECTION. **Section 2. Emergency account -- source of funds -- appropriation.** (1) There is an emergency account within the state special revenue fund. Subject to subsection (2), there is transferred from the state general fund to the emergency account 25% of the amount by which the audited ending general fund balance exceeds the amount specified in 17-7-131(2).

(2) (a) The balance in the emergency account may not exceed 2% of the general fund appropriations for the current biennium as contained in the general appropriations act. Money in the account must be invested as provided by law. Interest and income from the investment of the account must be credited to the account.

(b) Once the balance in the account equals 2% of the general fund appropriations for the current biennium:

(i) the transfer authorized in subsection (1) may not be made and the interest and income from the investment of the account must be credited to the state general fund; and

(ii) the amount by which the ending general fund balance exceeds the amount specified in 17-7-131(2) must be used to reduce income taxes as provided in 15-30-103(2)(b).

(3) The money in the account may be appropriated only to the office of the governor to be used:

(a) whenever an emergency or disaster is declared by the governor pursuant to Title 10, chapter 3, and the money may be expended by the governor pursuant to 10-3-312;

(b) for fire suppression for which a declaration of a disaster or emergency is not made.

Section 3. Section 10-3-101, MCA, is amended to read:

"10-3-101. Declaration of policy. Because of the existing and increasing possibility of the occurrence of disasters or emergencies of unprecedented size and destructiveness resulting from enemy attack, sabotage, or other hostile action and natural disasters and in order to provide for prompt and timely reaction to an emergency or disaster, to ~~insure~~ ensure that preparation of this state will be adequate to deal with disasters or emergencies, and generally to provide for the common defense and to protect the public peace, health, and safety and to preserve the lives and property of the people of this state, it is declared to be necessary to:

(1) authorize the creation of local or interjurisdictional organizations for disaster and emergency services in the political subdivisions of this state;

(2) reduce vulnerability of people and communities of this state to damage, injury, and loss of life and property resulting from natural disasters or ~~man-made~~ disasters caused by human activity;

(3) provide a setting conducive to the rapid and orderly start of restoration and rehabilitation of persons and property affected by disasters;

(4) clarify and strengthen the roles of the governor, state agencies, and local governments in prevention of, preparation for, response to, and recovery from emergencies and disasters;

(5) authorize and provide for cooperation in disaster prevention, preparedness, response, and recovery;

(6) authorize and provide for coordination of activities relating to disaster prevention, preparedness, response, and recovery by agencies and officers of this state and similar state-local, interstate, federal-state, and foreign activities in which the state and its political subdivisions may participate;

(7) provide an emergency and disaster management system embodying all aspects of emergency or disaster prevention, preparedness, response, and recovery;

(8) assist in prevention of disasters caused or aggravated by inadequate planning for public and private facilities and land use;

(9) supplement, without in any way limiting, authority conferred by previous statutes of this state and increase the capability of the state, local, and interjurisdictional disaster and emergency services agencies to perform disaster and emergency services; and

(10) authorize the payment of extraordinary costs and the temporary hiring, with statutorily appropriated funds under 10-3-312 and funds appropriated under [section 2], of professional and technical personnel to meet the state's responsibilities in providing assistance in the response to, recovery from, and mitigation of disasters in either state or federal emergency or disaster declarations."

Section 4. Section 10-3-312, MCA, is amended to read:

"10-3-312. Maximum expenditure by governor -- appropriation. (1) Whenever an emergency or disaster is declared by the governor, there is statutorily appropriated, as provided in 17-7-502, to the office of the governor~~, as provided in 17-7-502,~~ and, subject to subsection (2) of this section, the governor is authorized to expend appropriated funds from the ~~general fund~~ emergency account, provided for in [section 2], an amount not to exceed $16 million in any biennium, minus any amount appropriated pursuant to 10-3-310 in the same biennium. If the balance in the emergency account is less than $16 million in any biennium, the governor is authorized to expend an additional amount from the general fund. The total amount expended may not exceed $16 million in any biennium from the two sources. The statutory appropriation in this subsection may be used by any state agency designated by the governor.

(2) In the event of the recovery of money expended under this section, the spending authority must be reinstated to a level reflecting the recovery.

(3) If a disaster is declared by the president of the United States, there is statutorily appropriated, as provided in 17-7-502, to the office of the governor~~, as provided in 17-7-502,~~ and the governor is authorized to expend from the general fund an amount not to exceed $500,000 during the biennium to meet the state's share of the individual and family grant programs as provided in 42 U.S.C. 5178. The statutory appropriation in this subsection may be used by any state agency designated by the governor."

Section 5. Section 15-30-103, MCA, is amended to read:

"15-30-103. Rate of tax. (1) There must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

(a) on the first $2,300 of taxable income or any part of that income, 1%;

(b) on the next $1,800 of taxable income or any part of that income, 2%;

(c) on the next $2,100 of taxable income or any part of that income, 3%;

(d) on the next $2,200 of taxable income or any part of that income, 4%;

(e) on the next $2,400 of taxable income or any part of that income, 5%;

(f) on the next $3,100 of taxable income or any part of that income, 6%;

(g) on any taxable income in excess of $13,900 or any part of that income, 6.9%.

(2) (a) ~~By~~ Subject to subsection (2)(b), by November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for that tax year and round the cumulative brackets to the nearest $100. The resulting adjusted brackets are effective for that tax year and must be used as the basis for imposition of the tax in subsection (1) of this section.

(b) If the conditions of [sections 1(2)(b) and 2(2)(b)] have been met for the prior tax year, the department shall modify the inflation factor by an amount that will offset the amount of excess ending general fund balance. If this subsection (2)(b) is implemented, the department shall include a line on the individual income tax form indicating the total amount by which income taxes have been reduced for the tax year through the budget stabilization process."

Section 6. Section 17-7-131, MCA, is amended to read:

"17-7-131. Legislative action -- ending fund balance. (1) The presiding officers of the house of representatives and of the senate shall promptly refer the budgets and budget bills to the proper committees. The budget bill for the maintenance of the agencies of state government and the state institutions must be based upon the budget and proposed budget bill submitted at the request of the governor. The legislature may amend the proposed budget bill, but it may not amend the proposed budget bill so as to affect either the obligations of the state or the payment of any salaries required to be paid by the constitution and laws of the state.

(2) The adopted budget must be limited so that a positive ending general fund balance exists at the end of the biennium for which funds are appropriated. The ending general fund balance must be an amount that is equal to at least 1% of all general fund appropriations during the biennium. Money in the budget stabilization account established in [section 1] may not be considered in adopting a budget and establishing the ending general fund balance."

Section 7. Section 17-7-140, MCA, is amended to read:

"17-7-140. Reduction in spending. (1) (a) As the chief budget officer of the state, the governor shall ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in subsection (2), in the event of a projected general fund budget deficit, the governor may transfer money from the budget stabilization account established in [section 1] to the general fund and if necessary, taking into account the criteria provided in subsection (1)(b), shall direct agencies to reduce spending in an amount that ensures that the projected ending general fund balance for the biennium will be at least 1% of all general fund appropriations during the biennium. An agency may not be required to reduce general fund spending for any program, as defined in each general appropriations act, by more than 10% during a biennium. Departments or agencies headed by elected officials or the board of regents may not be required to reduce general fund spending by a percentage greater than the percentage of general fund spending reductions required for the total of all other executive branch agencies. The legislature may exempt from a reduction an appropriation item within a program or may direct that the appropriation item may not be reduced by more than 10%.

(b) The governor shall direct agencies to manage their budgets in order to reduce general fund expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall direct each agency to analyze the nature of each program that receives a general fund appropriation to determine whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning and shall at the same time provide a copy of the analysis to the legislative fiscal analyst. The office of budget and program planning shall review each agency's analysis, and the budget director shall submit to the governor a copy of the office of budget and program planning's recommendations for reductions in spending. The budget director shall provide a copy of the recommendations to the legislative fiscal analyst at the time that the recommendations are submitted to the governor and shall provide the legislative fiscal analyst with any proposed changes to the recommendations. The legislative finance committee shall meet within 20 days of the date that the proposed changes to the recommendations for reductions in spending are provided to the legislative fiscal analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal analyst's review of the proposed reductions in spending to the budget director at least 5 days before the meeting of the legislative finance committee. The committee may make recommendations concerning the proposed reductions in spending. The governor shall consider each agency's analysis and the recommendations of the office of budget and program planning and the legislative finance committee in determining the agency's reduction in spending. Reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities.

(2) Reductions in spending for the following may not be directed by the governor:

(a) payment of interest and principal on state debt;

(b) the legislative branch;

(c) the judicial branch;

(d) the school BASE funding program, including special education;

(e) salaries of elected officials during their terms of office; and

(f) the Montana school for the deaf and blind.

(3) (a) As used in this section, "projected general fund budget deficit" means an amount, certified by the budget director to the governor, by which the projected ending general fund balance for the biennium is less than:

(i) 2% of the general fund appropriations for the second fiscal year of the biennium prior to October of the year preceding a legislative session;

(ii) 3/4 of 1% in October of the year preceding a legislative session;

(iii) 1/2 of 1% in January of the year in which a legislative session is convened; and

(iv) 1/4 of 1% in March of the year in which a legislative session is convened.

(b) In determining the amount of the projected general fund budget deficit, the budget director shall take into account revenue, established levels of appropriation, anticipated supplemental appropriations for school equalization aid, and anticipated reversions.

(4) If the budget director determines that an amount of actual or projected receipts will result in an amount less than the amount projected to be received in the revenue estimate established pursuant to 5-5-227, the budget director shall notify the revenue and transportation interim committee of the estimated amount. Within 20 days of notification, the revenue and transportation interim committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the revenue and transportation interim committee prior to certifying a projected general fund budget deficit to the governor."

NEW SECTION. **Section 8. Codification instruction.** [Sections 1 and 2] are intended to be codified as an integral part of Title 17, chapter 7, part 1, and the provisions of Title 17, chapter 7, part 1, apply to [sections 1 and 2].

NEW SECTION. **Section 9. Effective date.** [This act] is effective on passage and approval.

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